

# LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

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**DATE:** AUGUST 9, 2004

**FROM:** KATHLEEN ROLLINGS-McDONALD, Executive Officer

**TO:** LOCAL AGENCY FORMATION COMMISSION

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**SUBJECT:** **Agenda Item #7:** LAFCO 2926 – Service Review and Sphere Of Influence Update for the East Valley Water District

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**INITIATED BY:**

San Bernardino Local Agency Formation Commission

**RECOMMENDATION:**

1. Determine that LAFCO 2926 is statutorily exempt from environmental review and direct the Clerk to file a Notice of Exemption within five days;
2. Make findings related to a service review required by Government Code Section 56430 and determine that the sphere of influence for the East Valley Water District should be amended as follows:
  - a. Expand the District's sphere of influence along its southern boundary to include (1) the existing territory of the City of Highland generally south of Third Street, east of Alabama Street, and (2) the parcel located at the southwest corner of the intersection of Third Street and Alabama Street within the City of San Bernardino;
  - b. Reduce the District's sphere of influence within the San Bernardino National Forest located northerly of the existing District and City of Highland boundary (approximately 3,000 acres); and,
  - c. Confirm the balance of the existing sphere of influence assignment for the District.

3. Adopt LAFCO Resolution #2836 setting forth the Commission's findings and determinations on this issue.

### **BACKGROUND INFORMATION:**

LAFCO 2926 was initiated by the Commission on January 15, 2003 in response to state mandates requiring service reviews and sphere of influence updates for all cities and special districts on a five-year schedule and is the service review and sphere of influence update for the East Valley Water District (EVWD). Included as Attachment #1 to this report is a map which identifies the boundaries and existing/proposed sphere of influence for the EVWD. Attachment #2 is an outline of what services a County Water District can perform and its general government structure. Attachment #3 to this report is a District Summary Profile Sheet and the response provided by the EVWD to the LAFCO survey of the factors required by Government Code Section 56430 for a service review.

As LAFCO staff began this service review/sphere update for the EVWD, we looked to the policies and procedures adopted by the Commission for its sphere of influence program (copy included as Attachment #4). One of the guiding principles in these documents is that the sphere of influence should be based upon a community-by-community approach, and that the family of agencies serving a community should, unless unique circumstances warrant, maintain a coterminous sphere of influence. The EVWD serves within two defined communities – the entirety of the Highland community (the whole of the City of Highland) and a portion of the San Bernardino community (portions of the City generally east of Waterman Avenue, north of Third Street, and the unincorporated sphere areas of the City of San Bernardino adjacent to the City of Highland). Therefore, the sphere of influence/service review for this agency does not lend itself completely to the Commission's philosophy of a community-by-community approach.

LAFCO staff, City of Highland staff and the staff of the EVWD have met on two occasions to discuss the implications of the Commission's community-by-community approach to the sphere of influence as it relates to the Highland community within the eastern portion of the District. No concern or dialogue has been provided by the City of San Bernardino staff on this proposal.

As LAFCO staff reviewed the eastern sphere of influence of the EVWD and the City of Highland, it became clear that changes were appropriate for both agencies. LAFCO staff proposed a minor sphere amendment to expand the City of Highland sphere of influence to include approximately 200 acres within two areas on the north and northeast (LAFCO 2927), and changes to the EVWD sphere. Those changes include: (a) a reduction to the EVWD sphere of influence to exclude approximately 3,000 acres (this amendment will remove National Forest lands not anticipated to require municipal levels of service) and (b) the expansion of the sphere to include the territory of the City of Highland boundary located southerly of Third Street, easterly of Alabama Street.

As these changes were being reviewed with District staff, an additional change was proposed in response to requests of the San Bernardino International Airport governing body, the Inland Valley Development Agency (IVDA). Their request is to receive water and sewer service from EVWD to the parcel identified as “Parcel B-1C” for the proposed Jet and Rocket Engine Test Site project (Attachment #5 provides the request and background information).

As these recommendations were being formulated, LAFCO staff participated in a joint meeting of the City Council of the City of Highland and the Board of Directors of the EVWD to review with them the changes to bring the two spheres of influence into contiguity within the community of Highland along its eastern boundary. No concern was expressed by the District Board to the changes proposed for the District’s sphere assignment.

Staff has addressed the communities for this District and their relationship to the sphere of influence update/service review and is recommending the following changes for the EVWD sphere of influence:

1. The major change proposed for the District is the reduction of the sphere of influence related to the territory within the San Bernardino National Forest which has been a part of the District’s sphere since its establishment in 1974. This amendment will reduce the sphere by approximately 3,000 acres within the northwest sphere territory making the sphere designation coterminous with that proposed for the City of Highland and including only those lands anticipated for development. The 3,000 acres excluded are designated as Resource Conservation by the County General Plan, not anticipating any significant level of development.
2. A minor sphere change to include the territory within the City of Highland boundary and sphere of influence southerly of Third Street, easterly of Alabama Street.
3. A minor sphere change to include Parcel B-1C as requested by the IVDA for receipt water and sewer service.
4. Affirmation of the balance of the District’s sphere of influence.

The District indicates that it does not anticipate submission of any other sphere of influence amendments within the next five years.

### **SERVICE REVIEW:**

The EVWD is an independent special district formed under the provisions of County Water District Law, Water Code Sections 30000 through 33900. EVWD has service territory within both the Cities San Bernardino and Highland, and the

unincorporated areas between the two cities. The report prepared by the EVWD (included as a part of Attachment #3) addressing the service review survey is comprehensive in its review of the factors required by Government Code Section 56430 and will not be reiterated in this report. A summary of the major points of consideration within the response provided by EVWD is outlined as follows:

1. Infrastructure Needs and Deficiencies – The District has adopted a Capital Improvement Plan that identifies needed infrastructure development and maintenance for its water and wastewater collection systems. The Plan has been developed utilizing the Master Plans prepared for these services. The age and condition of the District's water system overall is identified as being in "good condition", noting that the most recent water audit for the District shows 6% of total production of water is unaccounted for, with 3% of that total attributed to leaks.
2. Financial Constraints and Opportunities – The District's source of revenues includes sales of water, fees, permits, customer/developer connection charges, penalties and interest income. Reserve accounts are maintained to provide additional operating revenue and to meet expenses of capital improvement projects. The District does not receive a share of the ad valorem property tax. In 2001, the District issued \$12,000,000 in Certificates of Participation for the construction of a four million gallon reservoir and pump station and to refinance a previously issued debt instrument. The District has a Moody's Rating Commitment assignment of A2, and a Standard and Poor's rating of A indicating good financial performance.
3. Cost Avoidance Opportunities and Shared Facilities Opportunities – The District strives to identify ways to share facilities and resources with other local agencies. The District participates in a Joint Powers Agreement (JPA) for the provision of a regional wastewater treatment plant. This original JPA was entered into in 1957 between the District and the City of San Bernardino. The City of San Bernardino and City of Colton entered into a JPA to provide for the operation of a Rapid Infiltration/Extraction Tertiary Treatment System (commonly called RI/X) for treatment of waste from their respective sewage treatment plants. EVWD is a participant in this JPA through its association with the City of San Bernardino in the earlier JPA. The District maintains a system of interties for the purpose of mutual aid with adjacent water agencies.
4. Government Structure Options – The District was formed in 1954 and has operated successfully for 50 years. The District is a regional water purveyor providing service to the City of Highland, portions of the City of San Bernardino and unincorporated areas. This division of the District's service area does not lend itself to a merger, formation of subsidiary district or other

change, making it a regional service provider.

5. Local Accountability and Governance – The District is governed by a five member Board of Directors, elected at-large. The District conducts its business at regularly scheduled meetings at its administrative facilities open to the public. The District maintains a website which provides an opportunity for customer feedback and assistance. Each new customer receives an information packet which includes information on the District's background, water conservation recommendations, explanation of water rates, sewer rates, and billing procedures.
6. When Special Districts were seated on the San Bernardino LAFCO in 1976, the listing of services and functions was prepared, as required by law, acknowledging the services actively provided by the special districts at that time. Through this process, EVWD is currently authorized the active services and functions as follows:

| SERVICE             | FUNCTIONS   |
|---------------------|---|
| Water               | Retail, agricultural, domestic, replenishment                 |
| Sewer               | Sewage collection   |
| Park and Recreation | Development, maintenance in conjunction with water facilities |

Latent powers are those powers authorized to a special district through its principal act, but which are not being actively provided. According to the WVWD's principal act, the County Water District Law (Water Code Sections 30000 to 33900), the latent powers of the District are:

| SERVICE                 | FUNCTIONS   |
|-------------------------|---|
| Electrical Power Supply | Generate and sell electric power supplied in connection with a water or water conservation project  |
| Fire Protection         | All functions of a Fire Protection District as outlined in Section 13801 of the Health and Safety Code (Fire Protection District Law) except it cannot perform the function within an existing agency with fire protection services |
| Sanitation              | Acquire construct and operate facilities for the collection and disposal of garbage, waste or trash, or contract with others for this service   |
| Drainage                | Drainage and reclaiming lands within the District   |

It is noted that at this time, none of the adjacent or overlaying agencies have identified any concerns with the existing sphere of influence, or the proposed expansion or reduction areas for the East Valley Water District.

**CONCLUSION:**

Based on the information outlined above and the response from the EVWD, staff recommends that the Commission: (1) reduce the District's sphere by approximately 3,000 acres within the northwest sphere territory, making the sphere designation coterminous with that proposed for the City of Highland, and excluding lands not designated for urban use; (2) expand the District's sphere to include the territory within the City of Highland boundary and sphere of influence southerly of Third Street, easterly of Alabama Street; (3) expand the District's sphere to include Parcel B-1C as requested by the IVDA for receipt water and sewer service; and (4) affirm the balance of the District's sphere of influence. Staff recommends that the Commission adopt Resolution #2836 setting forth written responses to the statutory factors related to service reviews and sphere of influence studies.

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Attachments:

1. Location and Vicinity Maps of the Existing Sphere of Influence and Proposed Sphere of Influence for the East Valley Water District
2. Outline of County Water Districts
3. Summary District Profile Sheet and Survey Response from the East Valley Water District
4. Commission Policy Regarding Sphere of Influence Determinations
5. IVDA Request for Service to Parcel B-1C
6. Response from Tom Dodson and Associates
7. Draft Resolution #2836